

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 79
GREEN VALLEY LAKE**

REPORT ON AUDIT

JUNE 30, 2005

County of San Bernardino Special Districts
County Service Area No. 79
Green Valley Lake
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County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 79 - Green Valley Lake

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2005, which collectively comprise the CSA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake, as of June 30, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The budgetary comparison information on page 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The County of San Bernardino Special District County Service Area No. 79 - Green Valley Lake has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CSA's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Rogers, Anderson, Malody & Scott, LLP

September 16, 2005

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 53,832	\$ 607,944	\$ 661,776
Accounts receivable, net	-	105,039	105,039
Interest receivable	346	4,109	4,455
Taxes receivable	7,667	665	8,332
Due from other governments	15,000	-	15,000
Capital assets, net of depreciation	363,405	2,172,373	2,535,778
	<hr/>	<hr/>	<hr/>
Total Assets	440,250	2,890,130	3,330,380
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	-	71,578	71,578
Salaries and benefits payable	1,802	-	1,802
Due to other governments	3,719	-	3,719
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,521	71,578	77,099
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Invested in capital assets	363,405	2,172,373	2,535,778
Unrestricted	71,324	646,179	717,503
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 434,729	\$ 2,818,552	\$ 3,253,281
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Activities
For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Salaries and benefits	\$ 41,960	\$ 259,360	\$ 301,320
Services and supplies	94,262	154,341	248,603
Utilities	-	23,123	23,123
Depreciation	50,365	112,556	162,921
Professional fees	-	206,374	206,374
Filtration project	-	48,706	48,706
Other	1,388	1,464	2,852
Intergovernmental expense	31,688	-	31,688
Total Program Expenses	<u>219,663</u>	<u>805,924</u>	<u>1,025,587</u>
PROGRAM REVENUES			
Charges for services	6,604	732,819	739,423
Operating grants and contributions	11,538	-	11,538
Net Program Expense	<u>(201,521)</u>	<u>(73,105)</u>	<u>(274,626)</u>
GENERAL REVENUES			
Property taxes	114,712	1,863	116,575
Other taxes	6,343	-	6,343
State assistance	2,198	-	2,198
Federal assistance	15,000	3,724	18,724
Other assistance	6,273	-	6,273
Investment earnings	1,478	13,187	14,665
Penalties	-	13,344	13,344
Other	-	3,280	3,280
Total General Revenues	<u>146,004</u>	<u>35,398</u>	<u>181,402</u>
Change in Net Assets	(55,517)	(37,707)	(93,224)
Net Assets - beginning	<u>490,246</u>	<u>2,856,259</u>	<u>3,346,505</u>
Net Assets - ending	<u>\$ 434,729</u>	<u>\$ 2,818,552</u>	<u>\$ 3,253,281</u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Balance Sheet
Governmental Funds
June 30, 2005**

	SPECIAL REVENUE FUND <u>Fire (SOV)</u>	OTHER GOVERNMENTAL FUNDS <u></u>	Total Governmental Funds <u></u>
ASSETS			
Cash and cash equivalents	\$ 43,457	\$ 10,375	\$ 53,832
Interest receivable	269	77	346
Taxes receivable	7,667	-	7,667
Due from other governments	15,000	-	15,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 66,393</u>	<u>\$ 10,452</u>	<u>\$ 76,845</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and benefits payable	\$ 1,802	\$ -	\$ 1,802
Due to other governments	3,719	-	3,719
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,521</u>	<u>-</u>	<u>5,521</u>
 Fund balances:			
Unreserved			
Undesignated	60,872	10,452	71,324
Total Fund Balances	60,872	10,452	71,324
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 66,393</u>	<u>\$ 10,452</u>	

Amounts reported for *governmental activities* in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Net Assets of Governmental Activities

363,405

\$ 434,729

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	SPECIAL REVENUE FUND <u>Fire (SOV)</u>	OTHER GOVERNMENTAL FUNDS <u></u>	Total Governmental Funds <u></u>
REVENUES			
Property taxes	\$ 114,591	\$ 121	\$ 114,712
Special assessments	-	6,604	6,604
Other taxes	6,343	-	6,343
State assistance	2,198	-	2,198
Federal assistance	15,000	-	15,000
Other assistance	6,273	-	6,273
Investment earnings	1,068	410	1,478
Total Revenues	<u>145,473</u>	<u>7,135</u>	<u>152,608</u>
EXPENDITURES			
Salaries and benefits	39,252	2,708	41,960
Services and supplies	80,280	13,982	94,262
Other	1,388	-	1,388
Total Expenditures	<u>120,920</u>	<u>16,690</u>	<u>137,610</u>
Excess of Revenues Over (Under) Expenditures	<u>24,553</u>	<u>(9,555)</u>	<u>14,998</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(31,658)	(30)	(31,688)
Total Other Financing Sources (Uses)	<u>(31,658)</u>	<u>(30)</u>	<u>(31,688)</u>
Net change in fund balances	(7,105)	(9,585)	(16,690)
Fund Balances - beginning	<u>67,977</u>	<u>20,037</u>	<u>88,014</u>
Fund Balances - ending	<u>\$ 60,872</u>	<u>\$ 10,452</u>	<u>\$ 71,324</u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	(16,690)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$50,365) exceeded capital outlay (\$-0-) in the current period.		(50,365)
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Capital assets transferred from other governments are not financial resources and therefore and not reported in the governmental funds.		11,538
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Change in Net Assets of Governmental Activities	\$	(55,517)
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The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u>
	<u>Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 607,944
Accounts receivable, net	105,039
Interest receivable	4,109
Taxes receivable	665
Total Current Assets	<u>717,757</u>
Noncurrent Assets:	
Capital assets:	
Improvements to land	250,022
Vehicles	23,324
Equipment	66,896
Utility plant in service	4,647,780
Accumulated depreciation	<u>(2,815,649)</u>
Total Noncurrent Assets	<u>2,172,373</u>
Total Assets	<u>2,890,130</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	<u>71,578</u>
Total Current Liabilities	<u>71,578</u>
NET ASSETS	
Invested in capital assets	2,172,373
Unrestricted	<u>646,179</u>
Total Net Assets	<u>\$ 2,818,552</u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u>
	<u>Sewer</u>
OPERATING REVENUES	
Sanitation services	\$ 700,113
Connection fees	5,421
Other	<u>3,157</u>
Total Operating Revenues	<u>708,691</u>
OPERATING EXPENSES	
Professional fees	206,374
Salaries and benefits	259,360
Services and supplies	154,341
Utilities	23,123
Filtration project	48,706
Depreciation	112,556
Other	<u>1,464</u>
Total Operating Expenses	<u>805,924</u>
Operating (Loss)	<u>(97,233)</u>
NONOPERATING REVENUES	
Property taxes	1,863
Special assessments	24,128
Federal assistance	3,724
Investment earnings	13,187
Penalties	13,344
Other	<u>3,280</u>
Total Nonoperating Revenues	<u>59,526</u>
Change in Net Assets	(37,707)
Net Assets - beginning	<u>2,856,259</u>
Net Assets - ending	<u><u>\$ 2,818,552</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005**

	Enterprise Fund
	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 691,816
Payments to suppliers	(356,769)
Payments to employees	(259,360)
Other payments	(48,706)
Net Cash Provided by Operating Activities	<u>26,981</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	1,198
Special assessments	24,128
Federal assistance	3,724
Penalties	13,344
Other nonoperating revenues	3,280
Net Cash Provided by Noncapital Financing Activities	<u>45,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>11,546</u>
Net Cash Provided by Investing Activities	<u>11,546</u>
Net Increase in Cash and Cash Equivalents	84,201
Cash and Cash Equivalents Balance – beginning of the year	<u>523,743</u>
Cash and Cash Equivalents Balance – end of the year	<u><u>\$ 607,944</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (97,233)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	112,556
Change in assets and liabilities:	
Increase in accounts receivable	(16,875)
Increase in accounts payable	28,533
Net Cash Provided by Operating Activities	<u><u>\$ 26,981</u></u>

The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2005**

ASSETS

Cash and cash equivalents	<u>\$ 211,215</u>
Total Assets	<u><u>\$ 211,215</u></u>

LIABILITIES

Due to bondholders	<u>\$ 211,215</u>
Total Liabilities	<u><u>\$ 211,215</u></u>

The accompanying notes are an integral part of these financial statements

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 79 - Green Valley Lake was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on September 7, 1971, with the active powers of fire (inspection, suppression, protection, first aid, and rescue), sewer (collection and disposal), and water and road (maintenance and improvements). Currently, the governmental reporting entity consists of fire protection, emergency medical services, and an enterprise fund (sewer) for the community of Green Valley Lake. The CSA also provides maintenance for approximately one mile of paved road in "The Meadow" area of Green Valley Lake.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 Zone G, L and L-1 of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2005.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for revenue derived from voluntary non-exchange transactions, such as taxes and federal and state grants, the County expanded its definition of "available" to 9 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *special revenue fund* labeled "Fire" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* labeled "Sewer" accounts for the sewer activities of the CSA.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenue of the CSA enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The CSA has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Agency funds are used to account for assets held by the CSA as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The modified accrual of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Improvement Act of 1915 for certain sewer improvements.

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectibles when applicable. The sewer enterprise fund accounts receivable balance at June 30, 2005 for the CSA is net of an allowance for doubtful accounts of \$32,817.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of Section 29000 - 29143 of the Government code of the State of California, commonly known as the County Budget Act, the CSA prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for capital assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2005.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2005, the accounts receivable were composed of the following:

	Enterprise Fund Sewer
Accounts receivable	\$ 137,856
Less: allowance for uncollectible	(32,817)
Total accounts receivable, net	<u>\$ 105,039</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Improvements to land	\$ 59,388	\$ -	\$ -	\$ 59,388
Structures and improvements	128,091	-	-	128,091
Infrastructure	131,675	-	-	131,675
Vehicles	405,124	19,779	(23,261)	401,642
Equipment	5,448	-	-	5,448
Total capital assets, being depreciated	<u>729,726</u>	<u>19,779</u>	<u>(23,261)</u>	<u>726,244</u>
Less accumulated depreciation for:				
Improvements to land	(13,115)	(1,320)	-	(14,435)
Structures and improvements	(44,288)	(2,846)	-	(47,134)
Infrastructure	(39,502)	(3,292)	-	(42,794)
Vehicles	(225,141)	(51,148)	23,261	(253,028)
Equipment	(5,448)	-	-	(5,448)
Total accumulated depreciation	<u>(327,494)</u>	<u>(58,606)</u>	<u>23,261</u>	<u>(362,839)</u>
Governmental activities capital assets, net	<u>\$ 402,232</u>	<u>\$ (38,827)</u>	<u>\$ -</u>	<u>\$ 363,405</u>

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005

NOTE 4: CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Improvements to land	\$ 250,022	\$ -	\$ -	\$ 250,022
Utility plant in-service	4,647,780	-	-	4,647,780
Vehicles	23,324	-	-	23,324
Equipment	66,896	-	-	66,896
Total capital assets, being depreciated	4,988,022	-	-	4,988,022
Less Accumulated depreciation for:				
Improvements to land	(11,112)	(5,556)	-	(16,668)
Utility plant in-service	(2,624,519)	(103,284)	-	(2,727,803)
Vehicles	(23,324)	-	-	(23,324)
Equipment	(44,138)	(3,716)	-	(47,854)
Total accumulated depreciation	(2,703,093)	(112,556)	-	(2,815,649)
Business-type activities capital assets, net	<u>\$ 2,284,929</u>	<u>\$ (112,556)</u>	<u>\$ -</u>	<u>\$ 2,172,373</u>

NOTE 5: RETIREMENT PLAN

Plan description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members." The Plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W. Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 5: RETIREMENT PLAN (continued)

Fiduciary responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2005.

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.37% - 12.28% for general members and 10.23% - 14.24% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 8.44%, County Safety 18.01%. All employers combined are required to contribute 14.01% of the current year covered payroll. For 2005, the County's annual pension cost of \$141,450,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with *GASB 27, Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2005, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 141,450
Interest on Pension Assets	(34,779)
Adjustment to the Annual Required Contribution	38,135
Annual Pension Cost	144,806
Annual Contributions Made	141,450
Increase/(Decrease) in Pension Assets	(3,356)
Pension Assets, Beginning of Year (As Restated)	848,238
Pension Assets, End of Year	<u>\$ 844,882</u>

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 5: RETIREMENT PLAN (continued)

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2003	\$ 68,361	\$ 59,673	100%
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2005 is \$439,539,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in respective aggregate principal amounts of \$189,070,000, \$149,825,000, and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2005 is \$463,895,000.

NOTE 6: FEDERAL AND STATE GRANTS

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 7: RISK MANAGEMENT

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority (EIA) Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 3.50%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.3 million at June 30, 2005.

The total claims liability of \$115.7 million reported at June 30, 2005 is based on the requirements of *GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2004 and 2005 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2003 - 2004	\$ 93,802	\$ 45,128	\$ (37,221)	\$ 101,709
2004 - 2005	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

NOTE 8: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the proceeds of taxes received by the District during the 2004-2005 fiscal year, and have found the revenue to be within the guidelines established by Proposition 111.

NOTE 9: SPECIAL ASSESSMENT ACCOUNTING – 1915 ACT BONDS

The CSA issued bonds under the Improvement Act of 1915 to finance certain sewer improvements. The CSA reports 1915 Act Bonds according to the provisions of the Government Accounting Standards Board's Statement No. 6. The bonds are not a direct liability of the CSA and therefore are not reported on the CSA's financial statements. The portion of the Utility Plant in Service financed by Special Assessments amounting to \$460,662, is reported as Invested in Capital Assets, Net of Related Debt in the Enterprise Fund. The liability for each Assessment District at June 30, 2005 is \$-0-.

**NOTE 10: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT
WITH RUNNING SPRINGS WATER DISTRICT**

The CSA entered into a forty (40) year agreement with the Running Springs County Water District (District) on May 9, 1977. The agreement provides transportation of wastewater from the CSA to a connecting point within the District wastewater system and to provide proportionate joint financing for enlargement of the District system to treat the projected flows from the CSA and the District. The District will provide final transportation, treatment and disposal of these wastewater flows and bill the CSA for their proportionate share of costs in accordance with the terms of the agreement.

As compensation for transportation, treatment and disposal of their wastewater, the CSA shall pay a proportionate share of the operation and maintenance expense of the jointly used facilities. The payment will be made based on a three-month accounting period commencing on January 1st, April 1st, July 1st, or October 1st. Additionally, an amount equal to fifteen percent (15%) of the CSA's proportionate share of operations and maintenance expenses will be paid to the District to cover overhead and indirect expenses.

Expansion or modifications or replacement of joint use facilities will be assessed to the CSA in proportion to the ratio of assessed valuation of the District, the CSA and Arrowbear at the time that the projects are approved by the District. These costs shall be included in a written notification to the CSA no later than March 1st of each year. The CSA is currently paying their proportionate share (21.08%) on a filtration project, which was financed over fifteen years beginning on September 21, 2002. The loan to the District will mature on March 21, 2017.

Any net income the District may receive from the wastewater or by-products of treatment shall be shared by the District, Arrowbear and the CSA on a proportionate share basis.

The CSA has an option to renew the agreement for an additional forty years if they exercise the option to renew at least three years prior to the expiration date of the agreement by sending a written notice to the District. The current agreement will expire on May 9, 2017.

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Notes to Financial Statements
June 30, 2005**

**NOTE 10: WASTEWATER TRANSPORTATION, TREATMENT AND DISPOSAL AGREEMENT
 WITH RUNNING SPRINGS WATER DISTRICT (continued)**

The CSA incurred the following costs in FY 04 /05 based on the agreement.

Wastewater transportation, treatment and disposal	\$ 172,594
Expansion or modification or replacement (Filtration project)	<u> 48,706</u>
Total Costs	<u><u> \$ 221,300</u></u>

NOTE 11: CONTINGENCIES

As of June 30, 2005, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

Required Supplementary Information
County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2005

SPECIAL REVENUE FUND				
Fire (SOV)				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 95,438	\$ 95,438	\$ 114,591	\$ 19,153
Other taxes	-	-	6,343	6,343
State assistance	40,413	40,413	2,198	(38,215)
Federal assistance	23,288	23,288	15,000	(8,288)
Other assistance	-	-	6,273	6,273
Investment earnings	1,000	1,000	1,068	68
Total Revenues	160,139	160,139	145,473	(14,666)
EXPENDITURES				
Salaries and benefits	48,078	48,078	39,252	8,826
Services and supplies	114,737	114,737	80,280	34,457
Other	-	-	1,388	(1,388)
Reserves and contingencies	18,521	18,521	-	18,521
Total Expenditures	181,336	181,336	120,920	60,416
Excess of Revenues Over (Under) Expenditures	(21,197)	(21,197)	24,553	45,750
OTHER FINANCING SOURCES (USES)				
Transfer out	(48,289)	(48,289)	(31,658)	16,631
Total Other Financing Sources (Uses)	(48,289)	(48,289)	(31,658)	16,631
Net Change in Fund Balance	\$ (69,486)	\$ (69,486)	(7,105)	\$ 62,381
Fund Balance - beginning			67,977	
Fund Balance - ending			\$ 60,872	

County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds (see Exhibit C)
	R-1 Meadow Green Valley Lake (RCP)	Earthquake Repair (CBR)	
ASSETS			
Cash and cash equivalents	\$ 8,745	\$ 1,630	\$ 10,375
Interest receivable	77	-	77
Total Assets	<u>\$ 8,822</u>	<u>\$ 1,630</u>	<u>\$ 10,452</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>8,822</u>	<u>1,630</u>	<u>10,452</u>
Total Fund Balances	<u>8,822</u>	<u>1,630</u>	<u>10,452</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,822</u></u>	<u><u>\$ 1,630</u></u>	<u><u>\$ 10,452</u></u>

**County of San Bernardino Special Districts
County Service Area No. 79 - Green Valley Lake
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005**

	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	Total Nonmajor Governmental Funds (see Exhibit D)
	R-1 Meadow Green Valley Lake (RCP)	Earthquake Repair (CBR)	
REVENUES			
Property taxes	\$ 121	\$ -	\$ 121
Special assessments	6,604	-	6,604
Investment earnings	377	33	410
	<hr/>	<hr/>	<hr/>
Total Revenues	7,102	33	7,135
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Salaries and benefits	2,708	-	2,708
Services and supplies	13,982	-	13,982
	<hr/>	<hr/>	<hr/>
Total Expenditures	16,690	-	16,690
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	(9,588)	33	(9,555)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers out	(30)	-	(30)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(30)	-	(30)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(9,618)	33	(9,585)
	<hr/>	<hr/>	<hr/>
Fund Balances - beginning	18,440	1,597	20,037
	<hr/>	<hr/>	<hr/>
Fund Balances - ending	<u>\$ 8,822</u>	<u>\$ 1,630</u>	<u>\$ 10,452</u>